

Open Skies Agreement

A NEW ERA *IN* CIVIL AVIATION

By A. VENKATA NARAYANA

The long-awaited pact will stimulate new passenger and cargo services for both countries' economies and people.



BRIAN KERSEY/© AP/WWP



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Above: United Airlines, based in Chicago, is one of several Indian and American airlines planning new services between the two countries.

Left: Transportation Secretary Norman Y. Mineta and Minister for Civil Aviation Praful Patel signed the Air Transport Agreement between India and the United States in New Delhi on April 14.

After years of talks and negotiation, the open skies Air Transport Agreement between the United States and India was signed on April 14, opening a new era in civil aviation partnership.

The new accord replaces a 1956 agreement that had restricted airlines' choices on the number of flights, the cities that could be served, and the prices charged. Now airlines of both countries can utilize an additional half a million seats every year. To cope with the increased traffic, more direct flights and improved frequencies at competitive fares are being offered. All government interventions and regulations of business decisions have been removed except for normal safety and traffic management needs. The pact offers opportunities for cooperative marketing arrangements, including code sharing between Indian and American private carriers, and allows all-cargo carriers to operate in either country without directly connecting to their homeland. It also allows international carriers to pick up passengers and cargo in one partner country's territory en route to other destinations.

Transportation Secretary Norman Y. Mineta, who signed the treaty with Civil Aviation Minister Praful Patel, observed that the new pact would tremendously boost business in both countries. "We have signed a landmark agreement that opens the skies between India and the United States. America is committed to help India become a major power in the 21st century. Civil aviation is a core component of that goal," Mineta said.

U.S.-India cooperation in transportation will not be limited to civil aviation. The United States is committed to helping India improve its entire transportation infrastructure. "Becoming a world-class economic powerhouse requires a world-class transportation infrastructure," Mineta said.

This is India's first open skies treaty with any country, while for the United States, this is the 67th such treaty since it opened its skies to the rest of the world. "We are on the verge of an aviation revolution," Patel said. The treaty will help support India's civil aviation sector through technical assistance, job training and personnel

exchange programs.

"It is in the national interest since it gives greater connectivity, helps tourism, improves cargo service and generates more jobs," says Onkar Kanwar, president of the Federation of Indian Chambers of Commerce and Industry. "The agreement...opens new vistas for a spurt in travel, trade and commerce. It will represent an important development in the broader U.S.-India economic partnership as well."

In many ways, the agreement was long overdue, considering the economic, political and societal relationships between the United States and India. Karan Bhatia, U.S. assistant secretary of aviation and

international affairs, pointed out that there is no non-stop service between India and the United States, despite the fact that two million passengers travel every year between the two countries and bilateral trade, which amounted to \$18 billion in 2003, is constantly growing. The existing one-stop U.S.-India services are also relatively expensive.

As soon as the agreement was signed, eager airline companies began announcing new service schedules. U.S. airline Continental has announced the launch of the first non-stop service between India and the United States: a New York-New Delhi route; and also a one-stop service between Newark and New Delhi this winter. Delta plans daily service between New York and Chennai, while Northwest Airlines wants to offer new flights between Minneapolis and Bangalore.

Private Indian carriers Jet Airways and Air Sahara announced schedules to fly to several American destinations starting this winter. However, Jet's entry into the U.S. market was delayed by legal problems with a similarly named company in America, which has asked the U.S. Department of Transportation not to grant a license to the largest Indian private carrier. Air Sahara is enthusiastic about touching American shores, but must overcome a pilot and aircraft shortage. Indian Airlines, predominantly a domestic carrier but with limited services to neighboring countries, is firming up schedules for flights to the United States.

According to trade experts, the open skies agreement will help Indian carriers more than American ones in the short run because the U.S. counterparts, facing financial crunches after 9/11, can't expand as quickly to meet the demands of international travelers.

The advantages for tourists, students, technology professionals and multinational executives, who form the bulk of air traffic, are discounts, easy connectiv-

DESTINATIONS

AIR-INDIA

Current: New York, Newark, Chicago, Los Angeles
Planned: Washington, D.C., Houston, San Francisco

JET AIRWAYS

Planned: Mumbai to Newark

AIR SAHARA

Planned: New Delhi to New York, New Delhi to Chicago.

INDIAN AIRLINES

Planned: New Delhi to New York, New Delhi to Seattle, Mumbai to Chicago

CONTINENTAL AIRLINES

Planned: New York to New Delhi,* Newark to New Delhi

DELTA AIR LINES

Current: New York to Mumbai
Planned: New York to Chennai

NORTHWEST

Planned: Minneapolis to Mumbai, Minneapolis to Bangalore

UNITED AIRLINES

Planned: Washington, D.C., to New Delhi, Seattle to Mumbai
(*Non-stop service. Rest are single-stop services.)



STEVAN MORGAIN/AP/WIDEWORLD

A new American Airlines jet is towed across an access bridge at the Boeing company's plant in Everett, Washington State in 2001. American Airlines, the world's largest carrier, is working out schedules for the open skies era in India.

ity and convenient flight times. Until now, U.S. and Indian carriers traveling between the two countries have been booked up to 85 percent of their capacity year round and passengers must wait weeks for confirmations or choose a third country airline. The pact will help resolve this problem since more flights will be available.

The pact will provide substantial economic spin-offs for India. According to industry estimates, one extra daily international flight to India has the potential to generate Rs. 2.8 million worth of foreign exchange. It allows airlines to make commercial decisions with very little government intervention and decide for themselves on where and how often they will fly, how many people they will carry, and what they will charge. "Passenger traffic between the two countries is estimated to rise by 30 percent this year with ample scope for expansion in the future," says Pushpinder S. Dhillon, economic officer at the U.S. Embassy in New Delhi. For starters Air-India plans to fly to San Francisco, Houston and Washington, D.C., besides its present destinations, Los Angeles, Chicago, New York and Newark.

The open skies accord allows airlines to serve customers efficiently and face competition in rapidly changing market conditions. They can also enter into joint ventures with other airlines to expand their services, reduce costs and make the most efficient use of their resources.

Open skies agreements worldwide have helped boost trade and commerce and created new markets for cargo and other businesses. Tourism has become one of the world's largest industries, providing more opportunities to low-cost airlines and choices to customers. Productivity has increased and businesses have become efficient. Since the introduction of no-frill budget flights for the common man, tourism has increased within developing countries, adding to economic growth.

The new agreement will generate more employment opportunities in aviation, trade and tourism. Delta, for example, will have an all-Indian crew on its Indian routes. Last

Public-Private Partnership in Aviation Sector

The open skies agreement signing on April 14 gave an opportunity to Transportation Secretary Norman Y. Mineta to unveil the U.S.-India Aviation Cooperation Program in New Delhi. This public-private partnership program will forge cooperation between both countries in areas such as air traffic safety and efficiency, airport security, airport infrastructure development, flight standards, regulation and certification, job training and personnel exchange.

The U.S. Trade Development Authority has offered \$500,000, which will be spent on providing technical assistance services to the Indian aviation industry.

"This partnership is designed to bring the U.S. government and the private sector together to support India in its aggressive program to strengthen its civil aviation system. It'll show how much our two great nations and our two great economies can do when we work together," says Mineta.

Six American corporations—Boeing, Bell Helicopter, Pratt and Whitney, General Electric, Honeywell and Raytheon—will be partners in the initiative, which will provide a boost to Indian civil aviation. The New Delhi-based American Chamber of Commerce in India will implement the program. □



DEEPAK SATAPATHY

Shilpa Garg of New Delhi enjoys her vacation at Niagara Falls. The tourism industry will get a big boost from the open skies treaty, as it makes possible lower fares, more convenient and frequent flights.

year it trained more than 80 crew members for the Chennai-Paris-New York route.

The open skies agreement will also help the outsourcing industry. Currently, traveling to Hyderabad from San Francisco often requires passengers to stop over in Singapore, costing business people a lost day because of the lack of direct flights to India's high-tech centers, says R. Ramamurthy, Wipro Technologies' general

manager for enterprise application services. "We are losing on productivity, man-hours and top management time. Travel is very important to our business, both from a business development perspective and from an execution standpoint," he says.

Experience shows that the United States and its other open skies partners have enjoyed enhanced economic growth. This may hold true for India as well. □